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China Gamma Group Limited

中國伽瑪集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 164)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

INTERIM RESULTS

The board of directors (the “Board”) of China Gamma Group Limited (the “Company”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 September 2010 together with the comparative figures for the corresponding period in 2009. The unaudited condensed consolidated interim results have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2010

		Six months ended 30 September	
		2010	2009
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$’000	HK\$’000
Turnover	2	4,540	786
Cost of sales		(2,132)	(262)
Gross profit		2,408	524
Net unrealised gains on financial assets at fair value through profit or loss		1,570	3,205
Fair value gains on investment properties	6	1,084	5,300
Other income		259	550
Net realised (losses)/gains on financial assets at fair value through profit or loss		(6,931)	30,277
Administrative expenses		(23,787)	(40,080)

		Six months ended	
		30 September	
		2010	2009
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Loss from operations	3	(25,397)	(224)
Finance costs		(192)	(870)
		<hr/>	<hr/>
Loss before taxation		(25,589)	(1,094)
Taxation	4	(307)	(1,060)
		<hr/>	<hr/>
Loss for the period		<u>(25,896)</u>	<u>(2,154)</u>
Attributable to:			
Equity holders of the Company		(25,236)	(2,154)
Non-controlling interests		(660)	–
		<hr/>	<hr/>
		<u>(25,896)</u>	<u>(2,154)</u>
Basic loss per share			
attributable to the equity holders of the Company during the period	5	<u>(0.88) cents</u>	<u>(0.08) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2010

	Six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	<u>(25,896)</u>	<u>(2,154)</u>
Other comprehensive income:		
Exchange differences arising from translation of financial statements of foreign operations	<u>1,795</u>	<u>28</u>
Total comprehensive loss for the period	<u>(24,101)</u>	<u>(2,126)</u>
Attributable to:		
Equity holders of the Company	<u>(23,441)</u>	<u>(2,126)</u>
Non-controlling interests	<u>(660)</u>	<u>–</u>
Total comprehensive loss for the period	<u>(24,101)</u>	<u>(2,126)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2010

	<i>Notes</i>	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Non-current Assets			
Property, plant and equipment		25,060	22,770
Investment properties	6	52,778	50,967
Land use rights		12,118	12,136
Goodwill		23,592	23,592
		<u>113,548</u>	<u>109,465</u>
Current Assets			
Inventories		307	375
Property under development		40,830	40,110
Trade and other receivables	7	11,715	12,008
Financial assets at fair value through profit or loss	8	6,613	7,679
Cash and cash equivalents		13,359	7,218
		<u>72,824</u>	<u>67,390</u>
Current Liabilities			
Trade and other payables	9	62,468	34,973
Amount due to a non-controlling shareholder of a subsidiary		–	18,985
Interest-bearing bank borrowings		2,314	7,393
		<u>64,782</u>	<u>61,351</u>
Net Current Assets		<u>8,042</u>	<u>6,039</u>
Total Assets less Current Liabilities		<u>121,590</u>	<u>115,504</u>
Non-current Liabilities			
Amount due to a non-controlling shareholder of a subsidiary		19,675	–
Interest-bearing bank borrowings		9,259	–
Deferred taxation		6,731	6,347
		<u>35,665</u>	<u>6,347</u>
Net Assets		<u>85,925</u>	<u>109,157</u>
Equity			
Capital and reserves attributable to the Company's equity holders:			
Share capital	10	28,677	28,677
Share premium		591,839	591,839
Other reserves		785,078	785,140
Accumulated losses		(1,325,624)	(1,303,114)
		<u>79,970</u>	<u>102,542</u>
Non-controlling Interests		5,955	6,615
Total Equity		<u>85,925</u>	<u>109,157</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2010

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies adopted are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 March 2010.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2010.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKFRS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 Amendment	Classification of Right Issues
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary
HK Interpretation 4 (Revised in December 2009)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs

The Group has applied HKAS 27 (Revised) prospectively which states that profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The effect of the adoption of the revised standard on the results for the six months ended 30 September 2010 is the attributing of losses of the Group’s partially-owned subsidiaries amounting to approximately HK\$695,000 to their non-controlling interests.

The adoption of other new and revised HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective.

2. SEGMENT INFORMATION

The Group's reportable segments are gamma ray irradiation services, property development, rental and sales, trading of building materials and provision of renovation services and securities trading and investment.

An analysis of the Group's unaudited turnover and segment results by business segments is presented as follows:

Business segments

For the six months ended 30 September 2010

	Gamma ray irradiation services (Unaudited) <i>HK\$'000</i>	Property development, rental and sales (Unaudited) <i>HK\$'000</i>	Trading of building materials and provision of renovation services (Unaudited) <i>HK\$'000</i>	Securities trading and investment (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
REVENUE					
Turnover	3,236	827	477	–	4,540
Segment results	211	(1,609)	(899)	(5,296)	(7,593)
Unallocated other operating income					120
Unallocated corporate expenses					(17,924)
Loss from operations					(25,397)
Finance costs					(192)
Loss before taxation					(25,589)
Taxation					(307)
Loss before non-controlling interests					(25,896)

Business segments

For the six months ended 30 September 2009

	Property development, rental and sales (Unaudited) <i>HK\$'000</i>	Trading of building materials and provision of renovation services (Unaudited) <i>HK\$'000</i>	Securities trading and investment (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
REVENUE				
Turnover	<u>522</u>	<u>264</u>	<u>–</u>	<u>786</u>
Segment results	<u>(12,209)</u>	<u>(734)</u>	<u>33,220</u>	<u>20,277</u>
Unallocated other operating income				120
Unallocated corporate expenses				<u>(20,621)</u>
Loss from operations				(224)
Finance costs				<u>(870)</u>
Loss before taxation				(1,094)
Taxation				<u>(1,060)</u>
Loss before non-controlling interests				<u>(2,154)</u>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the period (2009: Nil).

Segment results represents the profit (loss) earned or incurred by each segment without allocation of central administration costs including directors' salaries, investment and other income, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Information about major customers

For the six months ended 30 September 2010, revenues of approximately HK\$693,000 and HK\$512,000, were derived from sales by gamma ray irradiation services segment to two separate customers, both amounted to 10% or more of the Group's revenues for the period.

For the six months ended 30 September 2009, revenues from transaction with any single external customer did not amount to 10% or more of the Group's revenues.

3. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging (crediting):

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation of land use rights	226	–
Cost of sales		
– Depreciation of Cobalt	1,066	–
– Cost of inventories sold	760	–
– Depreciation of property, plant and equipment	204	–
– Direct cost and operating expenses	102	–
Depreciation of property, plant and equipment	840	289
Loss on disposal of property, plant and equipment	9	–
Interest income	(5)	(43)
Gain on disposal of investment properties	(18)	–
	<u> </u>	<u> </u>

4. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as either the Company and its subsidiaries have no assessable profits for the six months ended 30 September 2009 and 2010 respectively. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rate of taxation prevailing in the countries in which the Group operates.

The amount of income tax expense in the condensed consolidated income statement represents:

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current taxation		
Overseas Tax		
– Provision for the period	33	–
Deferred taxation		
– Origination and reversal of temporary differences	274	1,060
	<u> </u>	<u> </u>
Income tax expense	<u> </u> <u> </u>	<u> </u> <u> </u>

5. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30 September 2010 is based on the loss for the period attributable to the equity holders of the Company of approximately HK\$25,236,000 (six months ended 30 September 2009: HK\$2,154,000) and on the weighted average number of 2,867,681,490 shares (30 September 2009 restated: 2,714,378,765 shares) in issue during the period.

As the special general meeting of the Company held on 19 October 2009, the shareholders of the Company approved issuance of bonus shares, on the basis of four bonus shares, credited as fully paid, for every one then existing issued ordinary share. On 20 October 2009, 2,250,545,192 shares were issued pursuant to the bonus issue.

The number of shares for the purpose of calculating basic loss per share for the six months ended 30 September 2009 has been adjusted and restated to reflect the issue of bonus shares on 20 October 2009.

6. INVESTMENT PROPERTIES

The investment properties were revalued at 30 September 2010 on market value basis by RHL Appraisal Limited, an independent firm of professional property valuer. The fair value gain of approximately HK\$1,084,000 (2009: HK\$5,300,000) had been credited to the income statement for the period.

7. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Trade receivables	3,510	3,246
Less: allowance for doubtful debts	2,901	2,901
	<hr/>	<hr/>
Trade receivables, net	609	345
Other receivables and prepayments	11,106	11,663
	<hr/>	<hr/>
	11,715	12,008
	<hr/> <hr/>	<hr/> <hr/>

All of the above trade and other receivables are expected to be recovered or recognised as expense within one year.

The directors of the Company (the "Directors") consider that the carrying amounts of trade and other receivables approximate to their fair values.

The Group allows an average credit period of 60 days to 90 days to its trade customers. The ageing analysis of the Group's trade receivables, based on the invoice date and net of allowances, is as follows:

	THE GROUP	
	30 September	31 March
	2010	2010
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 30 days	165	252
31 to 90 days	303	46
91 to 365 days	141	47
	<u>609</u>	<u>345</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	30 September	31 March
	2010	2010
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed securities held for trading:		
– Equity securities – Hong Kong	6,610	7,677
– Equity securities – Overseas	3	2
	<u>6,613</u>	<u>7,679</u>
Market value of listed securities	<u>6,613</u>	<u>7,679</u>

9. TRADE AND OTHER PAYABLES

	THE GROUP	
	30 September	31 March
	2010	2010
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	188	185
Other payables and accruals	62,280	34,788
	<u>62,468</u>	<u>34,973</u>

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The Directors consider that the carrying amount of trade and other payables approximate to their fair values.

The ageing analysis of the Group's trade payables is as follows:

	THE GROUP	
	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Up to 30 days	3	7
31 to 90 days	6	3
Over 90 days	179	175
	<u>188</u>	<u>185</u>

10. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
AUTHORISED		
At 31 March 2010 and 30 September 2010	15,000,000,000	150,000
ISSUED AND FULLY PAID		
At 31 March 2010 and 30 September 2010	2,867,681,490	28,677

11. CONTINGENT LIABILITIES

At 30 September 2010 and 31 March 2010, the Company had no material contingent liabilities.

12. CAPITAL COMMITMENTS

At the balance sheet date, the Group had capital commitments in respect of acquisitions of properties, plant and equipment as follows:

	THE GROUP	
	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Contracted but not provided for	<u>7,894</u>	<u>–</u>

The Company had no other significant capital commitments at both balance sheet dates.

13. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group made minimum lease payments of approximately HK\$2,478,000 (2009: HK\$2,116,000) under operating leases in respect of office premises during the period.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	30 September	31 March
	2010	2010
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within one year	1,885	3,148
In the second to fifth year inclusive	1,235	926
	3,120	4,074

Operating lease payments represent rentals payable by the Group for certain of its office premises and warehouses. Leases are negotiated and fixed for an average term of two to three years.

14. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group during the period are as follows:

	Six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fees, salary and other short-term employee benefits	1,469	3,044
Pension scheme contributions	6	6
	1,475	3,050

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover of the Group for the six months ended 30 September 2010 increased 478% from HK\$786,000 for the six months ended 30 September 2009 (the “Previous Interim Period”) to HK\$4,540,000. Loss from operations amounted to HK\$25,397,000 compared to HK\$224,000 for the Previous Interim Period. Finance costs during the period reduced from HK\$870,000 for the Previous Interim Period to HK\$192,000. Net loss attributable to equity holders of the Company for the period amounted to HK\$25,236,000 as compared to loss of HK\$2,154,000 for the previous interim period. The increase in net loss were mainly due to the net realised losses of HK\$6,931,000 on financial assets held for trading. The Group has not been involved in the trading of any derivative financial instruments such as equity or currency accumulators.

As at 30 September 2010, the unaudited total assets and net assets of the Group were HK\$186,372,000 and HK\$85,925,000 respectively. The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2010.

Business Review and Prospects

The Group is principally engaged in gamma ray irradiation services, property development, rental and sales, trading of building materials and provision of renovation services, and securities trading and investments.

Gamma ray irradiation services

The gamma ray irradiation business is at its early stage of development, and on the track of its business development. It reported a turnover of HK\$3,236,000 for the period which accounted for 71.3% of the total turnover of the Group. The division reported a segment profit of HK\$211,000 for the period.

During the period, customers of gamma ray irradiation centre at Zibo, Shandong, the PRC ranged from medical and health products manufacturers, pharmaceutical companies, pre-packaged food, frozen food and food manufacturers as well as pet food manufacturers. We will continue to broaden our customer base and extend the business coverage to various major cities in China.

Property development, rental and sales

Turnover generated from the property development, rental and sales were HK\$827,000 for the period, an increase of 58.4% compared to HK\$522,000 for the Previous Interim Period. Segment loss was down from HK\$12,209,000 for the Previous Interim Period to HK\$1,609,000.

In October 2010, the Group announced a possible disposal of 90% stake in 北京巨鼎源房地產開發有限公司 (Beijing Ju Din Yuen Property Development Company Limited) (“Beijing Ju Din Yuen”) and all the outstanding shareholder loans and monies due from Beijing Ju Din Yuen and its subsidiary for a total consideration of RMB38,000,000 (equivalent to approximately HK\$44,207,000) in cash to an independent third party. Beijing Ju Din Yuen is principally and solely participating in the 1st level of development (一級開發) project at 北京市懷柔區懷柔鎮楊家園村 (Yang Jia Yuen Village, Huairou Town, Huairou District, Beijing, the PRC). The possible disposal would only become effective upon the purchaser having deposited the whole amount of the consideration of RMB38,000,000 into an escrow account opened with a bank in the PRC. The possible disposal has not become effective as at the date of this announcement and it may or may not proceed.

In addition, the Group has an entire interest in a land parcel of approximately 5,800 square meters located in Phase III Phoenix Town, No. 500 Hongjin Avenue, Longxi Street, Yubei District, Chongqing, the PRC with a total saleable area of approximately 35,000 square meters mainly for residential purpose. The project, designed to develop residential properties with ancillary commercial shops, recreational facilities and car park lots, is at the preliminary stage of development and is expected to be completed by year 2012. The Group also has investment properties including shops and car park lots located in Phase I and Phase II at the same location. In view of the market conditions, though the Group will still keep the plan of developing the residential project in Yubei District, Chongqing, we do not rule out the possibilities of divesting our current residential projects if there are any good opportunities.

Trading of building materials and provision of renovation services

The operating environments of building materials trading and renovation services remained stagnant in the period under review. Turnover of the segment increased 80.7% from HK\$264,000 for the Previous Interim Period to HK\$477,000. The segment loss was HK\$899,000 compared to the loss of HK\$734,000 for the Previous Interim Period, the increase in segment loss being mainly due to an increase in costs of sales.

Securities trading and investment

The global stock markets have experienced fluctuations amid signs of financial crisis of some European countries, recovery weakness in the US economy and the various tightening policies on monetary system and real estate market adopted by the Chinese government. During the interim period, the overall stock market sentiment is weak. The segment loss was HK\$5,296,000 compared to a gain of HK\$33,220,000 for the Previous Interim Period owing to the realised losses on equity investments held for trading.

Prospects

The gamma ray irradiation business at Zibo, Shandong, the PRC was on a track to perform in the first half of the year, and we believe a better performance will be achieved in the near future. At present, the Group is actively exploring business opportunities to strengthen its presence in the gamma ray irradiation market.

Meanwhile, the Group will continue to prudently, actively identify and pursue potential projects with immense development potentials to broaden the income base of the Group and increase shareholders' value.

Property, Plant and Equipment

During the period, there were additions of HK\$3,497,000 (six months ended 30 September 2009: Nil) to property, plant and equipment to expand the Group's operations.

Capital Investment and Commitments

As at 30 September 2010, the Group had capital commitments of HK\$7,894,000 (31 March 2010: Nil) in respect of acquisitions of property, plant and equipment.

Liquidity and Financial Resources

As at 30 September 2010, the Group had cash and cash equivalents of HK\$13,359,000 (31 March 2010: HK\$7,218,000). The increase in cash and cash equivalents was mainly due to bank borrowings raised during the period. Short term and long term bank borrowings were HK\$2,314,000 (31 March 2010: HK\$7,393,000) and HK\$9,259,000 (31 March 2010: Nil) respectively as at 30 September 2010. The gearing ratio, being the ratio of total borrowings to total equity as at 30 September 2010 was 13.5% (31 March 2010: 6.8%). The liquidity ratio, being the ratio of current assets over current liabilities, improved from 110% as at 31 March 2010 to 112% as at 30 September 2010.

With the financial resources available, the Group has sufficient working capital to meet its present requirements.

Pledge of Assets

At 30 September 2010, the Group's land use rights and certain property, plant and equipment with carrying amount of approximately HK\$20,438,000 (31 March 2010: Nil) were pledged to a bank to secure the bank borrowings granted to the Group.

Contingent Liabilities

As at 30 September 2010, the Company had no significant contingent liabilities (31 March 2010: Nil).

Share Capital Structure

As at 30 September 2010, the total number of issued shares of the Group was 2,867,681,490.

Save as the above, there was no change in the share capital structure of the Company during the period under review.

Material Acquisitions and Disposals of Subsidiaries

The Group had no material acquisition and disposal of subsidiaries during the six months ended 30 September 2010.

Litigations

On 24 October 2007, Silver Wind International Limited (“Silver Wind”), a wholly owned subsidiary of the Company, entered into a conditional agreement (the “Acquisition Agreement”) with Stronway Development Limited (“Stronway Development”), pursuant to which Silver Wind agreed to acquire from Stronway Development the entire equity interest in Winmax Asia Investment Limited (“Winmax Asia”). Under the arrangement, Winmax Asia will in turn acquire the entire equity interest in Beijing Jianxing Real Estate Development Co. (“Jianxing”) along with Jianxing’s standalone villas development project in Beijing known as “新星花園”. The aggregate consideration payable for the acquisition was RMB433,000,000 which was to be settled in cash and two villas. In December 2007, RMB20,000,000 was paid under the Acquisition Agreement to Stronway Development by Silver Wind as deposit (the “Deposit”). Details of the acquisition are set out in the Company’s circular dated 14 December 2007.

In April 2008, on the grounds, amongst other things, that the subject matter under the Acquisition Agreement was frustrated, Silver Wind decided to terminate the Acquisition Agreement and, through its legal representative has served a notice of termination to Stronway Development. In order to protect the position of Silver Wind and to recover, amongst other things, the Deposit from Stronway Development legal proceedings were instigated against Stronway Development on this matter in the High Court of Hong Kong on 15 April 2008.

As at the date of this announcement, the legal proceedings against Stronway Development are still pending and there is no significant development.

Exposure to Exchange Rate Risk and Interest Rate Risk

The Group’s transactions are denominated in Hong Kong dollars and Renminbi. The Group did not enter into any foreign exchange forward contracts to hedge against exchange rates fluctuations. Foreign exchange risk arising from the normal course of operations is considered to be minimal and the management will closely monitor the fluctuation in the currency and take appropriate actions when condition arises.

In terms of the interest rate risk exposures, the Group does not have any significant interest rate risk as both the borrowings of the Group and the interest rates currently remain at low levels.

Staff

As at 30 September 2010, the Group employed 59 employees. Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed periodically based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Group include medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

Employees in the PRC are remunerated according to the prevailing market conditions in the locations of their employments.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2010 (2009: Nil).

CORPORATE GOVERNANCE

During the six months ended 30 September 2010, the Company was in compliance with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) in Appendix 14 to the Listing Rules, except for the following:

Code Provision A2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not at present have a chairman nor a chief executive officer. Nevertheless, the main duties and responsibilities of a chairman and a chief executive officer are currently held by separate individuals with written guidelines for the division of responsibilities with a view to maintain an effective segregation of duties between the management of the Board and the day-to-day management of the Group’s business and operations.

The Company will continue to review the effectiveness of the Group’s corporate governance structure and consider the appointment of a chairman of the Board and a chief executive officer if candidates with suitable leadership, knowledge, skills and experience can be identified within or outside the Group.

Code Provision A4.1 stipulates that non-executive directors should be appointed for specific terms, subject to re-election. Save for Mr. Wong Hoi Kuen, Edmund, none of the independent non-executive Directors of the Company is appointed for a specified term but their term of office are the period up to their retirement by rotation in accordance with the Company’s bye-laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied the Mode Code throughout the six months ended 30 September 2010.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters in relation to the preparation of the unaudited condensed financial statements for the six months ended 30 September 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The results announcement of the Group for the six months ended 30 September 2010 is published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://finance.thestandard.com.hk/en/0164chinagamma>) respectively. The 2010 interim report of the Company will be despatched to the shareholders and made available on the above websites in due course.

By order of the Board
China Gamma Group Limited
Ho Chi Ho
Executive Director

Hong Kong, 24 November 2010

As at the date of this announcement, the Board comprises six Directors, of which an executive Director, namely Mr. Ho Chi Ho, two are non-executive Directors, namely Mr. Ma Kwok Hung, Warren and Mr. Chow Siu Ngor and three are independent non-executive Directors, namely Mr. Wong Hoi Kuen, Edmund, Mr. Chan Chi Yuen and Mr. Hung Hing Man.